



LARGE AND MID-SIZE
BUSINESS DIVISION

DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, D.C. 20224

OCT 16 2002

Robert D. Simon
Principal
707 Seventeenth Street
Suite 2300
Denver, CO 80202

303 296 2323
382 7607

Reply Reference: LM:IN:T:4:JN

Case Reference: 1996-342-A

Dear Mr. Simon:

This letter will finalize our consideration of the competent authority request filed by Wang Laboratories, Inc. ("Wang") for the years 1992 to present. The request arose as a result of Korean withholding taxes imposed on royalty payments due from various Korean companies on account of licensing agreements those companies had with Wang.

We have reached a mutual agreement that the Korean National Tax Service ("NTS") will refund to the withholding agents 100% of the taxes previously withheld, on the basis that all amounts due to Wang under the licensing agreements are sourced in the United States. Wang will need to make its own arrangements directly with the Korean withholding agents for purposes of having each one remit the proper amount to Wang.

The implementation of this determination with the NTS requires re-determination of Wang's creditable tax and foreign source income under section 901 subject to the limitations of section 904, for all years affected. This re-determination applies solely to payments received under the licensing agreements in question.

The Communications, Technology and Media Industry of the Large and Mid-Size Business Division has been advised to implement this competent authority determination which is applicable to the tax years at issue but is not binding on subsequent tax years. We now consider this case closed.

Sincerely,

Carol A. Dunahoo
Director, International



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INTERNAL REVENUE SERV EXAMINATION GROUP 15
OCT 29 2002
LMSB DIVISION

MEMORANDUM FOR INDUSTRY DIRECTOR
COMMUNICATIONS, TECHNOLOGY AND MEDIA

ATTN: International Territory Manager
FROM: Carol A. Dunahoo *[Signature]*
Director, International
SUBJECT: Resolution of Competent Authority Case # 96-342-A

U.S. Entity: Wang Laboratories, Inc.
600 Technology Park Drive
Billerica, MA 01821-4130
EIN: 04-2192707
Tax Year: 1992 to Present

We have concluded our discussions with Korea concerning a competent authority request filed by Wang Laboratories, Inc. (Wang) for the taxable years 1992 to present. The request related to Korean income tax withheld by various withholding agents in Korea on account of royalty payments made to Wang pursuant to licensing agreements between Wang and the Korean withholding agents. Additional details are outlined below.

Background and Issue: Wang entered licensing agreements with LG Semicon, Samsung Electronics and Hyundai Electronics (the Korean withholding agents) pursuant to which the withholding agents paid royalties to Wang in return for the use of Wang patent technology. Since the Korean tax authorities considered all royalties as 100% sourced in Korea, all payments were subjected to withholding taxes. From May 1992 through January 1997, \$1,854,013 in Korean income taxes had been withheld. Wang filed a request for U. S. competent authority assistance in an effort to reduce the portion of royalty payments considered to be sourced in Korea, and in order to prevent double taxation of its royalty income.

Determination and Disposition: We have reached mutual agreement with the Korean National Tax Service (NTS) regarding the treatment of royalties paid to Wang from 1992 to present. The NTS has agreed that none of the royalties will be considered as Korean sourced. Accordingly, the NTS will refund all of the withholdings to the Korean withholding agents. It will be the responsibility of Wang to determine and collect these refunds directly from the withholding agents.

Regarding the mutual agreement with Korea, please determine the creditable tax and foreign source income under section 901 subject to the limitations of section 904. This determination is made solely as to payments received under the licensing agreements in question and should not be viewed as determinative of source for other types of income or the creditability of other taxes for this or any other taxpayer.

This disposition is not binding on subsequent years. For your information, we are attaching a copy of our closing letter to the taxpayer. If you have any questions, please contact Ms. Tina Masuda, Manager, Tax Treaty Group 4, at 202-874-1369.

Attachment